

From Co-op to Co-optation

The Changing Source of Fair Trade

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The love of money as a possession — as distinguished from the love of money as a means to the enjoyments and realities of life — will be recognised for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease... But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair; for foul is useful and fair is not.

John Maynard Keynes

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Executive Summary

This research was done to evaluate the changing dynamics of the fair trade movement and the prospects of the proposed changes. The paper first discusses the defining characteristics of the fair trade movement as well as its historical origins and motivations. After that, the benefits and limits of ethical consumerism, which drive the movement, are considered. I then analyze Fair Trade USA's decision to branch off from the international fair trade umbrella organization: Fairtrade Labeling Organization (FLO).

The controversy surrounding Fair Trade USA's decision to leave FLO was ignited by their development of differing standards that expand fair trade coffee certification from democratically run co-ops to privately held plantations. Subsequently, I assess the reception of the proposed changes from a broad spectrum of stakeholders and evaluate the potential outcomes.

Lastly I make recommendations on how to sustain the strong fair trade movement while maintaining the original objective of producer empowerment. I argue Fair Trade USA's unilateral decision to leave FLO and create an independent certification system is in direct conflict with the founding principles of the fair trade movement. I then make the point that reconciliation and co-operation between the two certification bodies is of critical importance.

Acronym Key:

ATO: Alternative trade organization

CLAC: The Latin American and Caribbean Network of Small Fair Trade Producers

CSR: Corporate social responsibility

IACA: Inter-American Coffee Agreement

ICA: International Coffee Association

ICO: International Coffee Organization

FLO: International Fair Trade Labeling Organization, F

FTUSA: Fair Trade USA, formally Transfair USA

NCA: National Coffee Association

WFTO: World Fair Trade Organization, formerly International Fair Trade

Association

Introduction

Coffee is one of the most commonly traded commodities in the world. After oil, coffee is the most valuable commodity exported from developing countries.¹ Just last year, over 18 billion pounds of coffee were produced.² American consumers accounted for nearly a fifth of the world's coffee consumption, more than any other country. As emerging countries develop, so do their tastes. Domestic coffee consumption has been steadily increasing in Brazil, the world's largest producer of coffee.³ For many developing countries, coffee trade accounts for a majority of exports. For many farmers, coffee offers a ladder out of poverty, and for others, coffee is simply a means of subsistence. The difference often lies in the degree of the producer's connectedness with the networks and resources of the global north. This paper analyzes the various types of connections made between coffee producers in the global south and the buyers from the north. The paper goes on to analyze who stands to profit from these evolving relations.

Defining fair trade

Fair trade is a social justice movement and alternative model of trade, not an organization, company, or brand. Numerous organizations exist that certify

¹ Collen Haight, "The Problem with Fair Trade Coffee," *Stanfor Social Innovation Review*, Summer 2011.

² USDA, "Coffee World Production, Supply and Districution," 16 December 2011, <<http://www.fas.usda.gov/psdonline/psdReport.aspx?hidReportRetrievalName=Table+01+Coffee+World+Production%2c+Supply+and+Distribution+++++&hidReportRetrievalID=2051&hidReportRetrievalTemplateID=13>>.

³ Ibid

products as “fairly traded”. Because there are differing standards and beliefs of what fair trade is, multiple certifying bodies exist. The World Fair Trade Organization (WFTO) is a global representative body of a large number of fair trade organizations. The following statement is WFTO’s description of fair trade:

Fair Trade is a trading partnership based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers— especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising, and in campaigning for changes in the rules and practice of conventional international trade.⁴

No single business or certifying body can lay claim to owning the fair trade movement. There are numerous businesses and certifying bodies that label products as fair trade with varying standards for what can be considered fair trade. Although there is contention over the defining characteristics of fair trade, there are common tenets recognized as the underpinnings of fair trade. It is commonly accepted that fair trade implies:

- A minimum price floor that protects producer from market volatility
- Premiums which are spent on development projects democratically agreed upon by the producers
- Long term trading relationship
- No child labor
- Partial prepayment to producer
- Environmental sustainability standards
- Safe and healthy work setting

⁴ World Fair Trade organization, *What is Fair Trade?*, 2009, www.wfto.com (accessed 2011).

Personal Interest

My first extensive exposure to the surprisingly complex realm of coffee trade came through my fellowship last summer at Sustainable Harvest Coffee Importers. The Portland, Oregon based company buys and sells millions of pounds of certified Organic and Fair Trade coffee from Latin America and Africa every year. The company has been very successful. Its revenue more than doubled from \$33.9 million in 2010 to \$78.2 in 2011.⁵ This impressive growth is largely due to its virtuous and marketable triple bottom line: people, planet, and profit.

When accepted as a fellow, I jumped at the chance to return to my home city and join the profitable and ethical company for a summer. I heard of the position through Occidental's Career Development Center, which has a partnership with the company thanks to Occidental graduate and president of Sustainable Harvest, David Griswold '84.

Griswold founded Sustainable Harvest in 1997, which has managed to grow by an average of 44% annually since it's creation. Sustainable Harvest now includes over 30 employees and five offices located in Portland, Oregon, Mexico, Peru, Tanzania, and Colombia. These offices help facilitate the financing, purchase, and delivery of green coffee from over 200,000 coffee farmers.⁶ Sustainable Harvest has become one of the largest U.S. importers of certified organic and fair trade coffee

⁵ Lee van der Voo, *Sustainable Harvest delivers profit with purpose*, Sustainable Business Oregon, March 7, 2012, <http://www.sustainablebusinessoregon.com/articles/2012/03/sustainable-harvest-delivers-profit.html> (accessed April 10, 2012).

⁶ Sustainable Harvest, "2011 Impact Report," 2012, <http://www.sustainableharvest.com/>.

beans, importing more than one sixth of all Organic and Fair Trade coffee sold in the U.S.⁷ The company's success and popularity is not only due to the company's technological innovations such as the integration of the Ipad as a tool for co-ops, but also its long term commitment to the communities and habitats they work with. The company has found the noble act of investing one-third of the company's profits back into their suppliers both financially and socially rewarding.⁸

Sustainable Harvest partners with numerous governments, foundations, and non-profits to leverage funds and cooperate on projects that fulfill mutual aims. This past year, Sustainable Harvest raised just under one and a half million dollars from public and private donors. This money supplemented their efforts to improve economic, health, and environmental conditions in coffee producing communities.⁹ Sustainable Harvest provides more than just monetary support. The company also offers on the ground assistance in the form of technological training that improves food security, financial education, and environmental restoration. As a result over 200,000 nitrogen fixing native trees have been planted that repair habitat, prevent erosion, and increase farming yields.

Over Occidental's fall break, I was fortunate enough to receive funding from the college's Career Development Center to fly to Sustainable Harvest's annual "Let's Talk Coffee" conference in El Salvador. All Sustainable Harvest employees

⁷ B Lab, *Rockstars Of The New Economy*, March 12, 2012, <http://www.bcorporation.net/index.cfm/nodeID/E0DB6CCB-E20D-4DB4-82F3-EF21E603E0CA/fuseaction/content.page> (accessed April 10, 2012).

⁸ Sustainable Harvest, "2011 Impact Report," 2012, <http://www.sustainableharvest.com/>.

⁹ Sustainable Harvest, "2011 Impact Report," 2012, <http://www.sustainableharvest.com/>.

attended the conference as well roasters, financiers, donors such as Oxfam, and over 200 co-ops managers.¹⁰ This annual gathering creates a visible relationship between the growers, suppliers, buyers, roasters and financiers. In all, over 300 people from 22 different countries attended the conference. During the trip I met the extended members of the Sustainable Harvest community and saw first hand how the company manages the unusual balancing act of protecting people and the planet while maintaining profit.

While working at Sustainable Harvest over the summer, I had developed a basic understanding of the esoteric world of coffee. I learned about the different varieties of coffee, what leads to different flavors, and the many ways coffee is judged, priced, processed, financed, marketed, brewed, consumed, and composted. I began to understand the different coffee supply chains and how wealth was or was not shared with the producer.

I lost confidence in my understanding of the dynamic coffee world when major strife arose within the fair trade movement. Suddenly the fair trade coffee certification became a contested, complicated and delicate tool. I no longer viewed the fair trade label as a simple and straightforward vehicle for farmers to get a helping hand out of entrenched poverty by generous consumers in the northern hemisphere. The disagreement amongst the certifying bodies over whom and how much to certify, exposed the underlying mechanics of fair trade and my basic assumptions. I failed to seriously consider who controlled the fair trade certification, who was benefitting from it, and who was excluded from the value created.

¹⁰ Sustainable Harvest, "2011 Impact Report," 2012, <http://www.sustainableharvest.com/>.

The initial drive behind this paper was caused by my frustration and discontent with the highly lucrative business of manipulating and misleading caring consumers. I have been alarmed by the business schemes that have yoked the susceptible compassion of consumers away from powerful acts of empathy toward ineffective or destructive alternatives. I believe there is promise in ethical consumerism but it will remain unfulfilled without clear and simple certifications backed by united civil society organizations. This paper seeks to untangle the controversy in the fair trade debate, evaluate the changing prospects of the fair trade movement and the meteoric rise of ethical consumption.

Methodology

My research questions are: What is the future of the fair trade movement? Specifically, how will Fair Trade USA's "Fair Trade For All" agenda impact Fair Trade certified coffee co-ops as FTUSA expands to certify plantations? My primary research consists of participant observation and semi-structured interviews from different sectors of the coffee industry. Participant observation was conducted during workshops at Sustainable Harvest's Let's Talk Coffee conference.

Surveys were conducted using open-ended questions in person, over the phone, and through email. Notes were taken during the interviews and then analyzed. Interviewees were contacted from prior contact through work and additional interviewees were found using a snowball sampling method.

Interviewees included:

David Funkhouser, Strategic Relations Manager at FTUSA

Miguel Zamora, Director of Coffee, Innovation & Producer Relations at FTUSA

Erik Nicholson, National Vice President of United Farm Workers and board member of FTUSA

Libby Evans, Director of Farmer Development Programs at Sustainable Harvest

Laura Tilghman, Director of Communications

Thaleon Tremain, CEO of CoffeeCSA.org and Pachamama Coffee Cooperative

Felix Cabezas Varela, Manager of Coopellanobonito Cooperative

Lenin Tocto, manager of C.A.C. La Prosperidad de Chirinos cooperative

Maria Louzon, National Coordinator and spokesperson for USFT

James Ragdalethe, farm manager of Project Grow

An anonymous fair trade industry consultant

Finally, data was collected at the Sustainable Harvest Coffee Importers' conference in October of 2011 titled Let's Talk Coffee (LTC). LTC is an annual event where co-op managers, roasters, financiers and NGO's discuss and learn about the coffee supply chain. Over 300 people from 22 different countries attended the conference.¹¹ I attended lectures and panels concerning the state of the coffee supply chain and what can be done to strengthen it. Primary data collection included analysis of annual reports from Fairtrade Labeling Organization, Fair Trade USA, International Coffee Organization, and the United States Department of Agriculture. Secondary research included industry research from academic, non-profit, and industry arenas.

¹¹ Sustainable Harvest, "2011 Impact Report," 2012, <http://www.sustainableharvest.com/>.

Background

History of the Coffee Market

Coffee has a deep history rooted in global colonial trade and exploitation. Coffee has long been an in-demand cash crop that is connected to histories of slavery and poverty in the global South alongside profiteering in the global North. The fair trade movement grew as a reaction to this history. The following section provides a brief synopsis of coffee's long history followed by an in-depth analysis of the entry of Fair Trade into the coffee economy.

The coffee plant is endemic to Ethiopia, in the horn of Africa. It has been a part of Muslim and Arab culture since the 16th century. Coffee's popularity rose in the West during the 17th century due to entrepreneurial Dutch, Venetian, English, and French traders. The availability of coffee from the East was erratic due to disputing empires and enmity with Western traders and culture. By the early 18th century, the growing demand for coffee induced cultivation beyond its native range to industrious Western colonies in the West Indies, Java, and South America.¹² The coffee tree was growing on five continents by 1750.¹³ The circumstances and treatment of coffee farmers were inhumane, "workers often were compelled

¹² Merid w. Aregay, "The Early History of Ethiopia's Coffee Trade and the Rise of Shawa," *The Journal of African History* 29 (1988): 19-25.

¹³ Mark Pendergrast, *Uncommon Grounds: The History Of Coffee And How It Transformed Our World*.

through force—slavery or indentured servitude—to work long hours under terrible conditions”.¹⁴

The coffee trade became increasingly lucrative as consumer demand in Europe and America continued to rise, promoting the cultivation of coffee. Rainforests were mowed and repurposed for coffee production.¹⁵ At the turn of the 19th century, Brazil produced at least three quarters of the world’s coffee.¹⁶ The state of Sao Paulo took advantage of the monopolistic position and implemented a retention scheme to inflate prices. The highly lucrative venture of coffee cultivation rapidly expanded throughout Latin America and quelled fears of a coffee hegemony. The unmediated competition yielded low prices for producers as well as calamitous instability in the market.¹⁷ The inherent volatility of coffee production due to volatile climatic events as well as speculation and politics has produced dramatic fluctuations of profitability throughout the years.¹⁸ The agrarian coffee communities have been at the whim of politics, weather, and the ensuing harshness of the market.

In November 1940, The Inter-American Coffee Agreement (IACA) was established to soften the blows of the turbulent coffee market. The United States along with Latin American countries agreed to set quotas that limited the import and export of coffee. This stabilized and lifted prices for producers, providing a

¹⁴ Collen Haight, "The Problem with Fair Trade Coffee," *Stanfor Social Innovation Review*, Summer 2011.

¹⁵ Mark Pendergrast, *Uncommon Grounds: The History Of Coffee And How It Transformed Our World* (New York: Basic Books, 1999)20.

¹⁶ Stefano Ponte, "Behind the Coffee Crisis," *Economic and Political Weekly* 36 (2001): 4411.

¹⁷ Ibid.

¹⁸ Mark Pendergrast, *Uncommon Grounds: The History Of Coffee And How It Transformed Our World* (New York: Basic Books, 1999)20.

more profitable and predictable market that the industry could comfortably invest in. While the IACA was in place, the Office of Price Administration froze the consumer price of coffee once it entered the U.S.¹⁹ Under this agreement, coffee consumption rose to its highest level ever at 46.4 gallons per capita in 1946.²⁰ The IACA effectively subsidized prices and guaranteed a steady demand.

The effects and threats of World War II prompted the formation of the IACA. Coffee prices were rapidly declining due to the absent demand in war-torn Europe. Under the prevailing system, the economic vitality of Latin American countries was inextricably dependent on the coffee industry. To this day, coffee exports make up the bulk of export revenue for many countries in Latin America.²¹ The United States' intervention was not a simple act of altruism or comradeship, rather a strategic egocentric move. By temporarily protecting Latin America from the harshness of capitalism, the U.S. shielded its neighbors to the south from the attraction of communism and vulnerability to the Axis Powers.²² Once the war ended, European demand for coffee returned and the IACA was allowed to expire.

Even with the steady demand from Europe, coffee prices continued to oscillate throughout the years. In 1962, the U.S. intervened once again. The U.S. proposed the International Coffee Agreement (ICA) that regulated the coffee trade

¹⁹ Terrence H. Witkowski, "World War II Campaigns: Preaching Frugality to American Consumers," *Journal of Advertising* 32, no. 1 (2003).

²⁰ Jean C. Buzby and Stephen Haley, "Coffee Consumption Over the Last Century," *Amber Waves* (2007): 5.

²¹ Christopher M. Bacon, *Confronting the Coffee Crisis: Fair Trade, Sustainable Livelihoods and Ecosystems in Mexico and Central America* (Cambridge: MIT Press, 2008).

²² Gavin Fridell, *Fair Trade Coffee The Prospects and Pitfalls of Market-Driven Social Justice* (Toronto: University of Toronto Press) 122.

and bolstered prices. This agreement was prompted by market volatility that incited cries from the National Coffee Association (NCA) and the Cuban revolution that reignited the fear of communism.²³ The ICA proposal was popularly received and signed by most coffee producing and consuming countries. The agreement created the International Coffee Organization (ICO), which still exists today. The ICO was composed of representatives from all signees that established the import and export quotas. The agreement was renewed numerous times up until 1989. The termination of the ICA is largely attributed to the declining interest of the United States. Christopher Bacon, author of *Confronting the Coffee Crisis*, attributes the demise of the ICA to “easing Cold War tensions, and the neo-liberal political project epitomized by the ‘Washington consensus’ among western governments, led by the United States, and multilateral financial agencies.”²⁴ Regardless of the motives, the dissolution of the ICA left the trade of coffee exposed to the forces of the free market.

Coffee Crisis

Starting in 1999, coffee producer prices started to plummet. The period between 1999 and 2004 is known as the “global coffee crisis”.²⁵ This infamous bust is credited to the collapse of the International Coffee Agreement and Vietnam’s rapid entry into the coffee market. The flood of coffee into the marketplace drove prices

²³ Ibid, 138-140.

²⁴ David Goodman, "The International Coffee Crisis: A Review of the Issues: Fair Trade, Sustainable Livelihoods and Ecosystems in Mexico and Central America," in *Confronting the Coffee Crisis*, 5 (Cambridge: MIT Press, 2008).

²⁵ Ibid,3.

down and shocked thousands of rural farming communities. Coffee prices hit a 30-year low, with real value being the lowest in 100 years.²⁶ The livelihoods of millions of coffee growers dependent on the industry in over 50 developing countries were devastated by this bust.²⁷ Many coffee crops and farms were abandoned because the price of coffee was far below the cost of production. In some cases, farmers turned to more illicit crops. In these regions, farmers cultivated coca plants and poppies for drug production because they provided a more lucrative and dependable income.²⁸

While coffee producing countries were suffering record unemployment rates, American coffee importers were profiting. The big five coffee giants at the time, Proctor & Gamble, Philip Morris, Kraft, Sara Lee, and Nestle, controlled 69% of the world's roasted coffee market and were making record earnings.²⁹ While these large corporations were profiting, coffee producers were losing revenue and receiving a smaller share of the profit.³⁰ The few coffee producers spared from the harsh volatility of the free market were those protected by the special contracts implemented by ethical certification bodies such as the Fairtrade Labeling Organization (FLO). During these tumultuous times, fair trade certified producers were guaranteed prices two and three times that of market value.³¹

²⁶ Seth Petchers and Shayna Harris, "The Roots of the Coffee Crisis," in *Confronting the Coffee Crisis* (Cambridge: MIT Press)58.

²⁷ *The Coffee Crisis In The Western Hemisphere*, Serial No. 107-106 (Hearing Before the Subcommittee On The Western Hemisphere, July 24, 2002)14.

²⁸ *Ibid*, 15

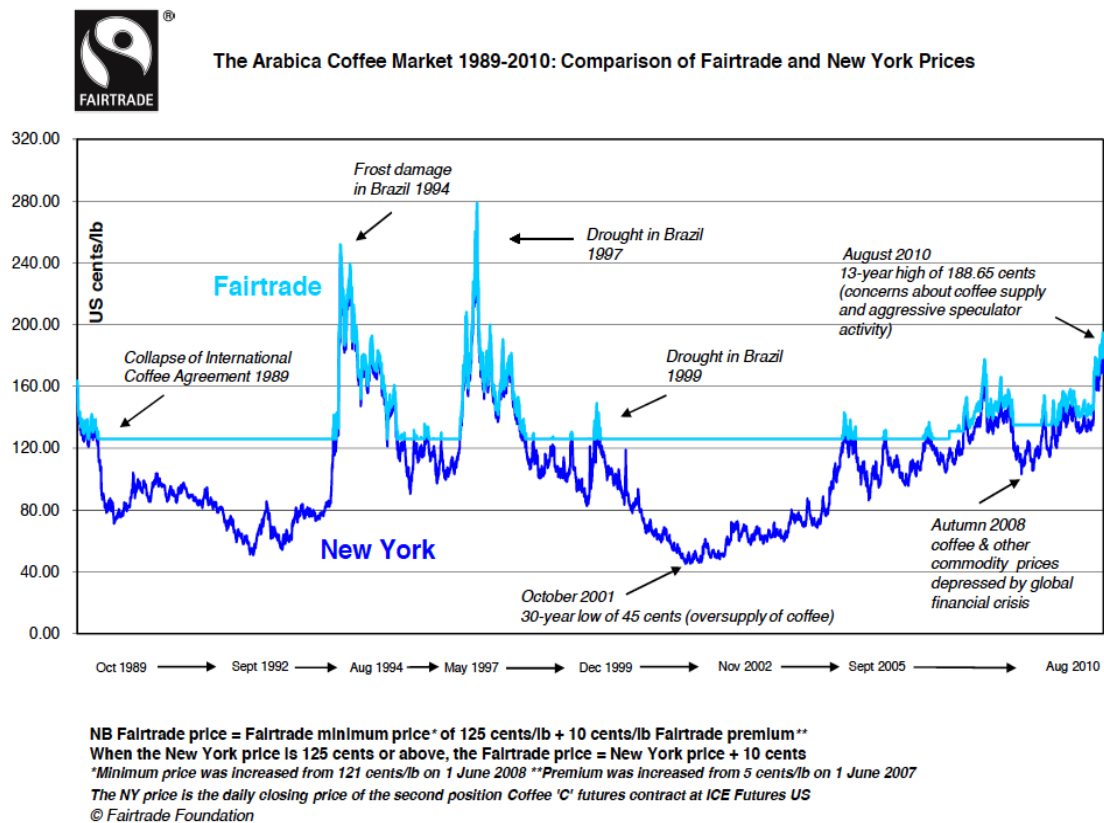
²⁹ Daniel Jaffe, *Brewing Justice; Fair Trade Coffee, Sustainability, and Survival* (University of California Press, 2007)49.

³⁰ *The Coffee Crisis In The Western Hemisphere*, Serial No. 107-106 (Hearing Before the Subcommittee On The Western Hemisphere, July 24, 2002) 55.

³¹ L.T. Reynolds, D. Murray and P.L. Taylor, "Fair Trade Coffee: building producer capacity via global networks," *Journal of International Development* 16 (2004).

In the graph below (figure 1), the potential magnitude of the fair trade certification is highlighted. The light blue line indicates price paid to certified fair trade producers per pound while the dark blue line indicates the free market price as determined by the New York Exchange. The graph below shows that Fair Trade certified producers are spared from dips in free market prices.

Figure 1



Fair Trade Foundation ³²

³² Fair Trade Foundation, *Fair Trade Foundation*, 2011, http://www.fairtrade.org.uk/includes/documents/cm_docs/2011/a/arabica_pricechart_89_jan11.pdf (accessed April 1, 2012).

The Fair Trade Ethic

The fate of coffee workers is intricately connected to consumer choices. Consumer preference and the search for ethical consumption drive the fair trade movement. With the globalization of world trade and accessibility of information, individuals are becoming increasingly aware and concerned with the wellbeing of strangers. Fair trade products offer a simple, albeit commercial, channel for concerned consumers to participate in supporting international development. Although casual patrons of fair trade products may be unaware of the root causes of the poor conditions of the producer, their purchases have a considerable impact. In today's world, to live ethically is to consume ethically.

In *Cosmopolitanism; Ethics In A World Of Strangers*, Kwame Anthony Appiah propounds the ethical posture of cosmopolitanism. He describes the cosmopolitan as a global citizen replete with universal concern: an individual carrying a feeling of obligation for the wellbeing of those beyond direct contact or relation.³³ This growing concern for the wellbeing of distant strangers is what the fair trade movement is fueled by.

While discussing charitable giving, Appiah emphasizes the importance, “of the exercise of reason, not just the explosion of feeling”.³⁴ He believes well-intended acts of kindness often times do not effectively fulfill the intended aim. Appiah

³³ Kwame Anthony Appiah, *Cosmopolitanism Ethics In A World Of Strangers* (New York: W.W. Norton & Company, 2006)xx.

³⁴ Kwame Anthony Appiah, *Cosmopolitanism Ethics In A World Of Strangers* (New York: W.W. Norton & Company, 2006),170.

acknowledges and applauds the accomplishments of aid organizations such as Oxfam and other charities, but challenges the reader to analyze the effectiveness of the organizations and consider what political and economic systems produced the conditions being treated.

Critique of Fair Trade

Both theorists and scientists have challenged the effectiveness and potential of the fair trade model. The Slovenian Philosopher Slavoj Zizek adamantly rejects the popular acclaim of fair trade, ethical consumerism, and free market approaches to social and environmental justice in general. Zizek's critique goes beyond Appiah and argues many well-intended humanitarian acts not only miss their aim but can also be damaging. He states:

Charity is the humanitarian mask hiding the face of economic exploitation. In a superego blackmail of gigantic proportions, the developed countries 'help' the underdeveloped with aid, credits, and so on, and thereby avoid the key issue, namely their complicity in and co-responsibility for the miserable situation of the undeveloped.³⁵

He forcefully argues there exists an unrecognized irony in the consumption of "responsibly" traded or produced products. The hypocrisy lies in the belief that the moral and anti-consumerist duties that many individuals feel are mistakenly fulfilled through the act of consumption. One company hit by this critique is Tom's shoe company. Tom's Shoe Company gives away a pair of shoes to child in a developing nation for every pair bought abroad. Critics point out that "Toms isn't

³⁵ Slavoj Zizek, *On Violence*, 22 (New York: Picador, 2008).

designed to build the economies of developing countries. It's designed to make western consumers feel good".³⁶ This model of charity doesn't lift the shoeless from entrenched poverty; rather it temporarily pacifies the severity of their unfortunate position. In the following passage, Zizek critiques the trade model:

The very relationship between egotistic consumerism and altruistic charity becomes one of exchange; that is, the sin of consumerism (buying a new pair of shoes) is paid for and thereby erased by the awareness that someone who really needs shoes received a pair for free.³⁷

Although Zizek admits these acts of goodwill do temporarily improve conditions, they perpetuate the belief that "we can have the global capitalist cake, i.e., thrive as profitable entrepreneurs, and eat it, too, i.e., endorse the anti-capitalist causes of social responsibility and ecological concern".³⁸

Zizek beseeches us to recognize and acknowledge the discord of our desires and subsistence. He believes charitable optimism is dangerously delusional because it often fails to alter the system that gave rise to the adverse conditions. He best illustrates the irreconcilable discord in following passage:

Today's liberal communists give away with one hand what they first took with the other... Good old Andrew Carnegie employed a private army brutally to suppress organized labor in his steelworks and then distributed large parts of his wealth to educational, artistic, and humanitarian causes.³⁹

³⁶ Cheryl Davenport, *The Broken "Buy-One, Give-One" Model: 3 Ways To Save Toms Shoes*, April 10, 2012, <http://www.fastcoexist.com/1679628/the-broken-buy-one-give-one-model-three-ways-to-save-toms-shoes>.

³⁷ Slavoj Zizek, *Living In The End Times*, 365 (London: Verso, 2010).

³⁸ Slavoj Zizek, *On Violence*, 16 (New York: Picador, 2008).

³⁹ *Ibid*, 21

Zizek's discontent lies in the success of marketing campaigns that have transfixed many into believing "the thing itself is the remedy against the threat it poses", that "globalization is its own best remedy".⁴⁰

Like Appiah, Zizek's criticism of charitable organizations is not an attempt to discourage compassionate efforts but a call to critically analyze the methods used to address poverty and environmental degradation. He believes a more radical change is needed, a systematic economic transformation. Zizek posits:

we should analyze how those aspects of '68 which were successfully integrated into the hegemonic capitalist ideology can be (and are) today mobilized not only by liberals, but also by the contemporary Right, in their struggle against any form of 'Socialism'.⁴¹

In line with Zizek and Appiah's call for critical analysis, numerous skeptics of the dominant fair trade model have emerged and begun to deflate the high flow expectations of the model. In *Profits and poverty: Certification's troubled link for Nicaragua's organic and fairtrade coffee producers*, Manfred Zeller thoroughly expels the myth that producers of fair trade coffee are insured a higher income than that of non-certified producers. He argues that equating the price subsidy that farmers receive from organic and fair trade labeling with a higher net income is a premature conclusion.⁴² The premium received by certified producers does not automatically translate into a higher profit; one must consider production costs and yields. Yields are typically lower and the cost of production is typically higher for fair trade and

⁴⁰ Ibid, 21, 15

⁴¹ Slavoj Zizek, *Living In The End Times*, 368 (London: Verso, 2010).

⁴² Manfred Zeller and Tina D. Beuchelt, "Profits and poverty: Certification's troubled link for Nicaragua's organic and fairtrade coffee producers," *Ecological Economics* 70, no. 7 (May 2011): 1316-1324.

organic coffee farmers.⁴³ By visiting over 300 coffee farms in northern Nicaragua, Zeller discovered that certified farmers are often worse off than their non-certified counterparts.

The study concludes with the recommendation that governments and donors invest their efforts in creating opportunities for farmers to acquire financing and business management education. The study emphasized policies regarding property rights in producer countries as another area needing attention. The study dissuades the use of certification as a means for economic growth because the premium received for certified coffee does not necessarily compensate for low productivity.⁴⁴

In addition, premiums received by the co-ops have often been used to increase farmers' income rather than spent as intended on communal projects.⁴⁵ Some communities have benefited from fair trade premium financed projects, however there are many cases where there have been comparatively no gains in switching to the fair trade certification process.⁴⁶ The premium paid to the producers is not always enough to seriously empower the farming communities. In many cases, farmers receive no noticeable increase in income when compared with neighbors who don't go through the trouble of getting certified.⁴⁷

⁴³ Bradford L. Barham and G. Jeremy Weber, "The Economic Sustainability of Certified Coffee: Recent Evidence from Mexico and Peru," World Development (2011).

⁴⁴ Ibid, 1323.

⁴⁵ Miguel Zamora, interview by Nicholas Conti, , *FTUSA 2*, (2012 йил 5-February).

⁴⁶ Fair Trade USA, "2011 Fair Trade USA Almanac," <http://fairtradeusa.org/sites/default/files/Almanac%202011.pdf>,

⁴⁷ Collen Haight, "The Problem with Fair Trade Coffee," *Stanfor Social Innovation Review*, Summer 2011.

There are numerous works that highlight the inconsistency of fair trade's ability to bring prosperity to areas fraught by years of poverty.⁴⁸ In one case, a team of investigators traveled through the jungles of Indonesia for weeks to visit remote fair trade certified farms. To their dismay they found that:

the majority of farmers were disconnected from this [democratic co-op governance] process, and virtually all of them saw their co-ops as just another external business that paid a collector (intermediary) to buy their harvest. Farmers felt no sense of ownership in the co-ops, and many admitted that they were members of several. The most disconcerting observation was that not a single farmer I-DEV spoke with could say whether their life had improved financially or otherwise since the arrival of Fair Trade.⁴⁹

It is clear that fair trade is not a panacea for global poverty, but rather an imperfect model that can at times alleviate poverty and give power to producers.

The Emergence of Fair Trade:

The fair trade movement originated as a social justice movement that can be traced back to the 1940s. Troubled by the severe poverty found in the global South, charities and churches in Europe and the United States organized to help struggling producers connect directly with consumers in the North.⁵⁰ Along with direct market

⁴⁸ Joni Valkila, "Fair Trade organic coffee production in Nicaragua - Sustainable development or a poverty trap," *Ecological Economics*, 2009., Bradford L. Barham and Jeremy G. Weber, "The Economic Sustainability of Certified Coffee: Recent Evidence from Mexico and Peru," *World Development XX*, no. X., Colleen E. H. Berndt, "Is Fair Trade In Coffee Production Fair And Useful?," *Mercatus Policy Series*, no. 11 (June 2007).

⁴⁹ Patricia Chin-Sweeney and Jason Spindler, "The Future of Fair Trade...Is There One?," *Stanfor Social Innovation Review*, June 2011, http://www.ssireview.org/blog/entry/the_future_of_fair_tradeis_there_one/.

⁵⁰ Daniel Jaffe, *Brewing Justice; Fair Trade Coffee, Sustainability, and Survival* (University of California Press, 2007)., Christopher M. Bacon, *Confronting the Coffee*

access, members of these organizations offered higher prices for their goods, which were typically handicrafts and food. These unique trading networks were the precursor of the current, mainstream fair trade movement. Alternative Trade Organizations (ATOs) such as Ten Thousand Villages, Sales Exchange for Refugee Rehabilitation and Vocation, and Oxfam world shops sprung up from this movement.⁵¹

The catalyzing forces that pushed the movement into the mainstream and brought wide spread recognition to the term “fair trade”, originated in the Netherlands. The main driver was the Dutch ecumenical aid organization, Solidaridad, which had been part of the original grass roots movement to bring better access and wages to struggling producers in the global South.⁵²

Solidaridad founded Max Havelaar in 1988, the first fair trade certifying body. The name comes from the influential 1859 Dutch novel *Max Havelaar: Or the Coffee Auctions of the Dutch Trading Company* written by Eduard Douwes Dekker. The book served as a scathing critique of the atrocious consequences of the 19th century Dutch colonial power, which exploited coffee producing countries. The following passage provides a glimpse of his disturbing writing:

Strangers came from the West who made themselves lords of his [the native's] land, forcing him to grow coffee for pathetic wages. Famine? In rich, fertile, blessed Java-famine? Yes, reader. Only a few years ago, whole districts

Crisis: Fair Trade, Sustainable Livelihoods and Ecosystems in Mexico and Central America (Cambridge: MIT Press, 2008)., David Funkhouser, interview by Nicholas Conti, , *Fair Trade USA headquarters*, (12 20, 2011).

⁵¹ Marlike Kocken, "Sixty Years of Fair Trade," *European Fair Trade Association*, 2006, <http://www.european-fair-trade-association.org/efta/Doc/History.pdf> (accessed April 24, 2012).

⁵² Solidaridad network, *History*, <http://www.solidaridadnetwork.org/history>.

died of starvation. Mother offered their children for sale to obtain food. Mothers ate their children.⁵³

The book is attributed with having pricked the public's conscience and as a result unsettled Dutch colonialism.⁵⁴

The popularity of the Max Havelaar label spread to Switzerland, Belgium, Denmark, and France within just a few years.⁵⁵ Soon after, unassociated labeling initiatives throughout Europe and North America began to replicate the popular certification model.⁵⁶ In 1997, the independent labeling initiatives came together and formed Fairtrade Labeling Organization (FLO).

FLO now serves as a governing body of the formerly autonomous labeling initiatives. It has had global recognition as the pre-eminent fair trade certifying body since its inception. During annual general assemblies, major decisions are made and uniform standards are set. In addition, only one label is used. This has harmonized and strengthened their collective efforts.⁵⁷ FLO is now composed of 19 international members, which oversee operations in Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland, France, German, Ireland, Italy, Japan, Latvia, Lithuania,

⁵³ Mark Pendergrast, *Uncommon Grounds: The History Of Coffee And How It Transformed Our World* (New York: Basic Books, 1999) 19.

⁵⁴ Anne-Marie Feenberg, "'Max Havelaar': An Anti-Imperialist Novel," *MLN, Comparative Literature Issue* (The John Hopkins University Press) 112, no. 5 (December 1997): 817-835.

Pramoedya Ananta Toer, "Best Story; The Book That Killed Colonialism," *The New York Times*, April 18, 1999.

⁵⁵ Mark Pendergrast, *Uncommon Grounds: The History Of Coffee And How It Transformed Our World* (New York: Basic Books, 1999) 335.

⁵⁶ Max Havelaar, *How Did It Start?*, <http://www.maxhavelaar.nl/faq/how-did-it-start?destination=english&backtitle=FAQ's> (accessed April 2012).

⁵⁷ FLO, *Fairtrade Labelling International History*, 2011, http://www.fairtrade.org.uk/what_is_fairtrade/history.aspx.

Luxembourg, The Netherlands, New Zealand, Norway, South Africa, Spain, Sweden, Switzerland, U.K., and the U.S.⁵⁸

FLO is headquartered in Bonn, Germany with a staff of approximately 70.⁵⁹ Their main tasks include setting standards, supporting producers, and coordinating a global strategy. FLO's counterpart, FLO-CERT, is responsible for assuring the standards set by FLO are met. FLO-CERT has over 100 trained auditors spread throughout the global South, ensuring that the integrity of the alternative supply chain stays intact.⁶⁰ The 19 FLO member organizations are responsible for a number of logistics at the tail end of the supply chain, including:

- Licensing the FLO's certification to qualified companies in their region
- Monitoring and auditing the products sold as Fair Trade
- Promotion of the fair trade system and Fair Trade products.

Through this cohesive system, the variety of fair trade products has been robustly expanded. Although FLO initially only certified coffee, it has spread to a variety of products, including bananas, cocoa, cotton, flowers, fruit, honey, gold, juice, rice, spice and herbs, sports balls, sugar, tea, and wine.⁶¹ Over the past few years, sales of fair trade products have been rapidly increasing. Last year nearly \$6

⁵⁸ FairTrade International, *About us*, 2011, http://www.fairtrade.net/how_we_are_run.html (accessed February 12th, 2012).

⁵⁹ Fair Trade International, *How we're run*, 2011, http://www.fairtrade.net/how_we_are_run.html (accessed April 24, 2012). Fair Trade International, *How we're run*, 2011, http://www.fairtrade.net/how_we_are_run.html (accessed April 24, 2012).

⁶⁰ FLO-CERT, *About Us*, <http://www.flo-cert.net/flo-cert/?id=28> (accessed April 25, 2012).

⁶¹ Fair Trade Labeling International, *Products*, 2011, <http://www.fairtrade.net/products.html> (accessed April 2012).

billion worth of fair trade certified goods were sold throughout the world, up 27% from the year before.⁶² In particular, the sale of Fair Trade coffee in the U.S. more than doubled between 2007 and 2011, from 66,339,389 pounds to 138,569,409 pounds.

A Case Study of Fair Trade USA and the Current Controversy Over Certification

The Departure of Transfair USA

Transfair was founded in 1997 by the Institute for Agriculture and Trade Policy (IATP) in Minneapolis.⁶³ IATP hired Paul Rice as president who still holds the same position. In the same year, Transfair USA branched off from IATP, moved to Oakland, and joined FLO. It was not until the next year that Fair Trade certified coffee was sold in the U.S. ⁶⁴ Transfair USA has grown to include a staff of over 60 with an annual budget of nearly \$10 million coming from contributions and licensing fees paid by American companies entrusted with the Fair Trade label.⁶⁵ As of 2010, The CEO, CFO, and COO all earned bonuses tied to revenue. The highest paid employee was president and CEO Paul Rice, compensated over \$225,000.⁶⁶

⁶² Fairtrade International, "Fair trade by the Numbers: Key Data for 2009-11," (2011).

⁶³ Institute for Agriculture and Trade Policy, *History*, <http://www.iatp.org/about/history> (accessed April 26, 2012).

⁶⁴ Daniel Jaffe, *Brewing Justice; Fair Trade Coffee, Sustainability, and Survival* (University of California Press, 2007)291.

⁶⁵ Taleo , "Case Study," *Taleo* , 2011, <http://www.taleo.com/sites/default/files/TBE-CaseStudy-NonProfit-FairTrade.pdf> (accessed April 25, 2012).

⁶⁶ Fair Trade USA, "2010 990 Tax Form" (2012).

On September 15, 2011, it was announced that the United State member of FLO, TransFair USA, was leaving the multinational umbrella organization and creating a fair trade label of it's own. Although the general mission has stayed the same, the departure of TransFair is due to "differing perspectives on how to reach our goals".⁶⁷ On January 1st, 2012, Tranfair formally broke its ties with FLO and changed its name to Fair Trade USA (FTUSA). The change was not in name only. The company has outlined a bold plan called "Fair Trade For All" which will expand the use of its fair trade certification. FTUSA believes the lucrative "fair trade" seal should not be monopolized by co-ops, but rather available to all organizations that sell fairly produced and fairly traded products. FTUSA plans to expand their fair trade certification to coffee produced outside of democratically run co-ops, to privately held and run plantations and estates. FTUSA believes broadening the certification to include estates will increase supply and ignite demand for fair trade products. This announcement stirred up much debate and concern in the coffee world. Esther Gulum, board chair of FLO states "fair trade is about more than premium or prices, it's philosophical... Volume of product sold does not necessarily equal producer impact and we will work to ensure that growth of the system is consistent with greater producer impact and involvement."⁶⁸ No one is sure what the implications of this change will be or what it will mean for the co-ops profiting from the prevailing Fair Trade certification system.

⁶⁷ Fair Trade USA, *Q & A*, <http://fairtradeforall.com/q-and-a/>. Fair Trade USA, *Q & A*, <http://fairtradeforall.com/q-and-a/>.

⁶⁸ Fair Trade Internationa, [Important Steps for Fairtrade in the USA](http://www.fairtrade.net/single_view1.html?&cHash=53d4bc66820f468b9cd1437ebaa488d1&tx_ttnews%5Btt_news%5D=292), 16 March 2012, <http://www.fairtrade.net/single_view1.html?&cHash=53d4bc66820f468b9cd1437ebaa488d1&tx_ttnews%5Btt_news%5D=292>.

The controversy surrounding FTUSA is the irony that exploitation of labor in the coffee economy began through the plantation system. The fair trade movement was an effort to support co-ops as an alternative to consolidated power, ownership, and wealth accumulation. Now, FTUSA wants to certify plantations as fair trade coffee producers. This again raises the specter of earlier eras of labor exploitation. As a scholar on fair trade frankly put, "if your goal is to set in motion a more dynamic and democratic process of development at the local level in producing countries, there isn't much historical evidence to say that can happen on plantations".⁶⁹

As FTUSA moves to implement Fair Trade For All, it faces heavy scrutiny by many of the stakeholders who helped build the fair trade movement to what it is today. There is a philosophical divide between what the future of fair trade should look like. Rink Dickinson, president and co-founder of EqualExchange, is an angry opponent campaigning against FTUSA's Fair Trade For All plan. EqualExchange is a worker owned food distribution co-op based out of West Bridgewater, Massachusetts. The co-op was formed in 1986, before any formal fair trade certification existed.⁷⁰ Although their unyielding dedication to small producers and

⁶⁹ National Public Radio, "Is Fair Trade Coffee Still Fair If It Comes From A Big Farm?," November 30, 2011, <http://www.npr.org/blogs/thesalt/2011/11/30/142935891/is-fair-trade-coffee-still-fair-if-it-comes-from-a-big-farm> (accessed March 10, 2012).

⁷⁰ Equal Exchange, *Our Story*, 2012, <http://www.equalexchange.coop/1986> (accessed April 25, 2012).

food justice has persisted over the years, EqualExchange's annual sales have increased to over \$36,000,000.⁷¹

Dickinson fears the widening and "equalization" of FTUSA certified products will water down fair trade.⁷² He believes the fair trade seal should be reserved only for products grown and produced by democratically run co-ops. EqualExchange hosts an online petition with over 7,500 signees. It states:

We vigorously oppose Fair Trade USA (previously Transfair USA)'s Fair Trade for All initiative, which seeks to allow coffee, cacao and other commodities from plantations into the Fair Trade system. This strategy means that small farmers will now be forced to compete with large plantations for market access – the very reason Fair Trade was created in the first place. The Fair Trade community opposes this action. We oppose the lower standards Fair Trade USA proposes and the lack of farmer and producer governance on Fair Trade USA's board. We believe that their Fair Trade For All initiative threatens small farmer co-operatives' existence and Fair Trade itself.⁷³

There is a growing body of concern that believes existing fair trade certified co-ops are threatened by this change.⁷⁴ A prominent proponent of this conviction and signee of EqualExchange's petition is The Latin American and Caribbean Network of Small Fair Trade Producers (CLAC). CLAC represents nearly 300 democratically organized small producer organizations from twenty countries throughout Latin America. Over 200,000 families and small producers are estimated

⁷¹ EqualExchange, "Annual Report," 2011, http://www.equalexchange.coop/media/Annual_Reports/AR2010.pdf (accessed April 24, 2012).

⁷² William Neuman, "A Question of Fairness," *The New York Times*, November 23, 2011.

⁷³ Equal Exchange, *Support the Authentic Fair Trade Movement*, 2012, <http://www.equalexchange.coop/fair-trade-campaign?hsCtaTracking=f26f3d38-28df-46a3-92c4-5de6fdd8cd1e%7C05ec690b-2928-48e7-a44e-3cf7b111f394> (accessed March 29th, 2012).

⁷⁴ Ibid.

to be associated with CLAC.⁷⁵ CLAC's small coffee producers have profited for years from the growing popularity of the fair trade seal, formally available exclusively to farmer co-ops. CLAC believes FTUSA's vision of expansion " threatens the empowerment, development and self-management of small organized producers".⁷⁶

CLAC is not alone in this belief. The United Students For Fair Trade (USFT), a financially neutral voice in the fair trade debate, denounces Fair Trade USA's departure from FLO. USFT believes:

Fair Trade USA's willingness to bend standards is the consequence of a conflict of interest in their funding structure and a lack of accountability on their board. It seems obvious to us that their desire to take on more lucrative certification contracts, more so than any purported issues with supply, are motivating the alarming deviations from the founding-principles of Fair Trade, such as the inclusion of plantation-grown commodities, lower multi-ingredient standards, and their launch into commodities like apparel and bananas that activists have asked them not to pursue without more cautious forethought.⁷⁷

USFT is no longer financially supported by FTUSA for obvious reasons. However USFT still receives support from organizations that stand to profit from FTUSA's Fair Trade For All campaign such as Green Mountain Coffee Roasters.⁷⁸

USFT national co-coordinator Maria Louzon explained that the student leaders of USFT initially supported FTUSA's departure from FLO and naively

⁷⁵ Fairtrade Canada, *Producer Networks in FLO*, <http://fairtrade.ca/en/producers/producer-networks-flo> (accessed February 24, 2012).

⁷⁶ CLAC, *Fair Trade Certifier Weakens Small Farmer Movements*, September 22, 2011, <http://smallfarmersbigchange.coop/2011/10/05/4153/> (accessed March 23, 2012).

⁷⁷ United Students For Fair Trade, *USFT's Fair Trade USA Statement*, October 25, 2011, <http://usft.org/usfttusastatement> (accessed March 25, 2012).

⁷⁸ United Students For Fair Trade, *Donors*, 2011, <http://usft.org/donors> (accessed March 23, 2012).

expected stronger standards to come from the split.⁷⁹ USFT quickly ended its long-standing relationship with FTUSA once they received the draft of the FTUSA's new Farm Workers Standard document and realized that plantations would be certified.

The International Brotherhood of Teamsters, a..., has not shied from the debate either. In a long statement on behalf of the Teamsters, Tim Beaty, Global Strategies Director at International Brotherhood of Teamsters, expressed their animosity for FTUSA. He states:

Paternalistic labor relations can temporarily create a reasonable work environment, but our experience is that when a budget crisis hits, employers will cut labor costs first unless the workers have autonomous control of their organization through a union.⁸⁰

Erik Nicholson, National Vice President of United Farm Workers and newly appointed board member of FTUSA, opposes the Teamsters' stance and strongly supports FTUSA's agenda.⁸¹ His reasoning is that there are many struggling coffee farmers currently excluded from the benefits of fair trade. Nicholson argued the landless migrant laborers should be included in the fair trade model. He acknowledged that these laborers would not be empowered but rather provided better material living.

Farmers Not Co-ops

⁷⁹ Maria Louzon, interview by Nicholas Conti, , *USFT national coordinator*, (March 20, 2012).

⁸⁰ International Brotherhood of Teamsters, *Fair Trade USA's Draft Farm Workers Standard*, February 5, 2012, http://laborrightsblog.typepad.com/international_labor_right/2012/02/fair-trade-usas-draft-farm-workers-standard.html (accessed February 15, 2012).

⁸¹ Erik Nicholson, interview by Nicholas Conti, , *United Farm Workers*, (March 28, 2012).

FTUSA's main defense against the harsh criticism of their Fair Trade for All agenda is that their primary focus is now improving the livelihoods of the actual farmers, not the co-ops. FTUSA bring up the concerns of migrant workers who don't even own land or have a permanent work location. They are quick to remind critics that those who are part of the incorporated co-ops are not the worst off.

Miguel Zamora, Director of Coffee, Innovation & Production Relations for FTUSA defends the Fair Trade For All agenda by claiming "Fair Trade has historically excluded some of the poorest of the poor in some product categories like coffee, bananas, tea and flowers".⁸² While this statement may be true, FTUSA has not said much to calm the widespread fear that the introduction of large plantations to the fair trade industry will steal customers from the coffee farming co-ops. Zamora explained FTUSA wants to increase the size of the fair trade pie, not redistribute it.⁸³ When questioned about concern amongst co-ops, representatives from FTUSA claim there are worries but that some are optimistic.⁸⁴ These optimistic co-ops appear to be anomalies.

Felix Cabezas Varela, Manager of Coopellanobonito Cooperative in Costa Rica, fears the change may have a number of consequences for certified co-op's.⁸⁵ He worries his co-op may need to pay to be fair trade certified twice, one for FTUSA's label and the other for FLO's. Cabezas is also concerned that the access may be limited in the future because large plantations will have the volume and capital to

⁸² Miguel Zamora, interview by Nicholas Conti, , *FTUSA 2*, (2012 5-February).

⁸³ Ibid

⁸⁴ Ibid, David Funkhouser, interview by Nicholas Conti, , *Interview at Fair Trade USA headquarters*, (2011 20-12).

⁸⁵ Felix Cabeza, interview by Nicholas Conti, , *Coopellanobonito*, (March 12, 2012).

control the market. Although his co-op is large, consisting of around 600 small producers, he worries large-scale plantations could easily outcompete his Coopellanobonito Cooperative.

Many of Cabeza's concerns are shared by Lenin Tocto, manager of the C.A.C. La Prosperidad de Chirinos Cooperative (Chirinos) in northeastern Peru.⁸⁶ Chirinos was founded in 1968 "when a group of 35 small-scale farmers with a strong desire to foster social change and achieve economic self-sufficiency" came together.⁸⁷ Since then, Chirinos has grown to include over 400 small-scale coffee producers. Tocto explained how small producers are at a natural disposition, the process aggregating coffee from small producers is complex, slow, and costly compared to large transnational producers. He was very apprehensive about the future of fair trade certified co-ops.

Coordinadora Latinoamericana y del Caribe's (CLAC), or Coordinator of Small-Scale Producers from Latin America, is a prominent coalition which serves as an advocacy organization for small scale coffee producers in Latin America. CLAC has publically scorned FTUSA and believes their Fair Trade for All agenda is counter to the original objectives of fair trade. They fear benefits will be lost to large privately held estates and transnational corporations of the North will wrest even more influence over the coffee producers.

FTUSA's website flaunts a long list of supporters of their Fair Trade For All campaign. Though the list is long, not everyone on the list is aware of what the Fair

⁸⁶ Lenin Tocto, interview by Nicholas Conti, , *Chirinos*, (March 15th, 2012).

⁸⁷ Fair Trade USA, *CAC LA PROSPERIDAD - COOPERATIVA AGRAGIA CAFETALERA CHIRINOS*, 2010, <http://www.fairtradeusa.org/node/30598> (accessed April 24, 2012).

Trade For All campaign entails. Included on the list of supporters is the farm manager of Project Grow, James Ragdale.

Project Grow is a small community organization dedicated to “community collaboration where people can engage in conversation and action to advocate for human rights, the value of art in society, urban farming, and the pursuit of passions”. Their first stated core belief is that “Meaningful work accompanied by fair wage is a human right”. Project grow is located in North East Portland, Oregon, just a few blocks from where I grew up. I was surprised and confused to see the farm manager’s endorsement of Fair Trade For All. When questioned, James explained that he supported the fair trade movement but admitted he was totally unaware of issues surrounding the Fair Trade For All campaign. An FTUSA employee had contacted James asking for his endorsement without explaining to him what the Fair Trade For All Campaign was.

Findings

Co-opted Agenda

It is easy to say the fair trade movement has undergone a series of evolutions and has adapted to find a space in global trade. This transformation is creating a whole new movement separate from its original motivations. The model proposed by FTUSA shifts the focus from radical empowerment to improved conditions. During the early stages of the fair trade movement, activists were intent on radically changing the dynamics of trade and transforming the global relations between the rich and the poor. They believed paying a premium for products produced in a

socially responsible way would plant the seeds for self-sufficiency and empowerment. In many cases, this has proven to be unsuccessful.

Rather than changing the dynamics of global trade and empowering the producers, FTUSA's new standards are creating an avenue for buyers in the North to provide a small subsidy for a small percentage of the "third-world" laborers. In numerous cases, the improvements in communities that produce fair trade certified goods are noticeable but unimpressive.⁸⁸ The high-flown aspirations of the fair trade movement have been unfulfilled and the objective is now lowered. Evident in the case of FTUSA, players in the fair trade movement appear to be settling for small material improvements for producers, and no longer serious empowerment. This settling will ease the buying process of Fair Trade coffee for large multinational roasters. Plantations are a more streamlined, dependable, and homogeneous source of coffee.

As social and environmental consciousness has become increasingly popular, many profit-minded companies have entered the lucrative free trade community and begun practicing corporate social responsibility for reasons other than altruism. Multinational corporations, most notably Starbucks, roast token amounts of fair trade coffee allowing them to brand themselves as a socially responsible corporation committed to supporting fair trade. In figure 3 below, it is easy to see how the world's largest roasters lack dedication to the fair trade movement. The

⁸⁸ David Funkhouser, interview by Nicholas Conti, , *Interview at Fair Trade USA headquarters*, (2011 йил 20-12)., Collen Haight, "The Problem with Fair Trade Coffee," *Stanfor Social Innovation Review*, Summer 2011., Joni Valkila, "Fair Trade organic coffee production in Nicaragua - Sustainable development or a poverty trap," *Ecological Economics*, 2009.

figure shows the small brown circles as the percentage of fair trade coffee relative to total coffee sales.

Figure 2

Top Ten World Coffee Roasters: Fair Trade Certified and Non-Fair Trade Purchases, 2008



Daniel Jaffee & Phil Howard, 2011
Data: Tropical Commodity Coalition, Coffee Barometer 2009



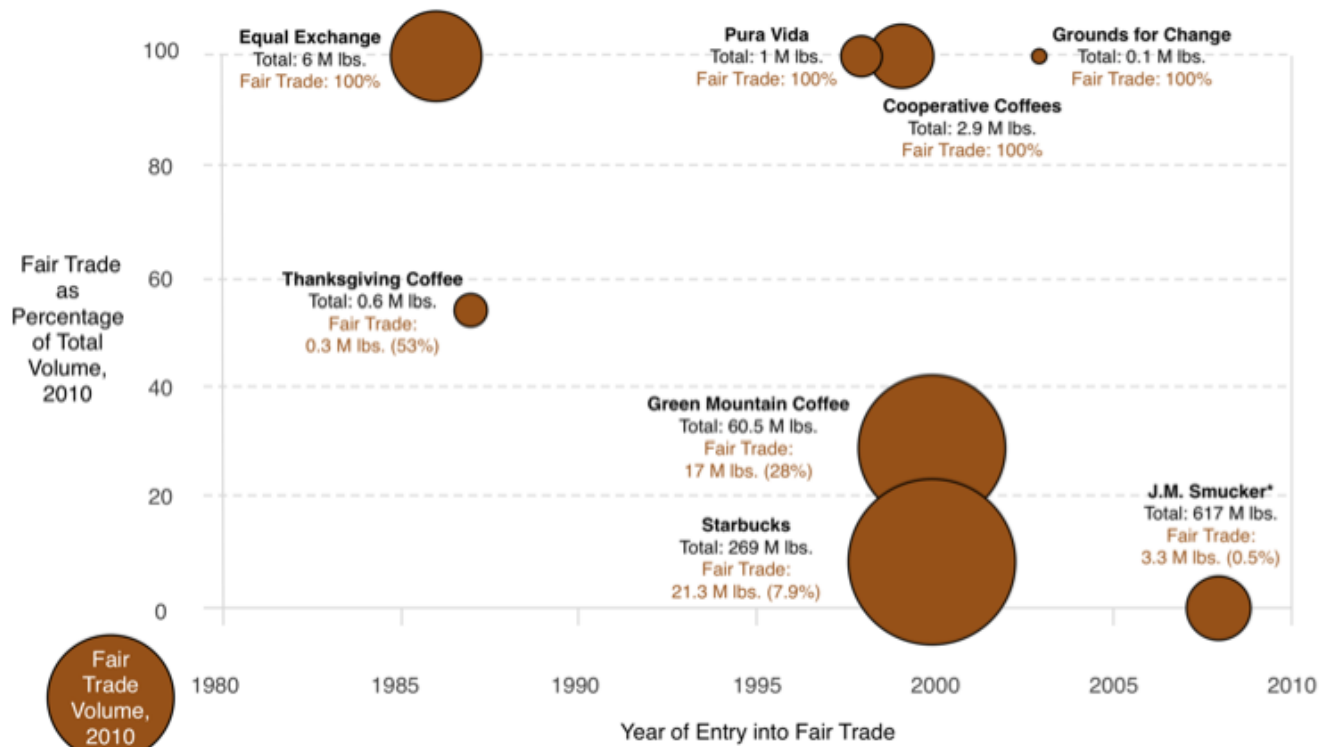
Daniel Jaffee and Philip H. Howard, "Corporate cooptation of organic and fair trade standards," (Springer) 2009: 388.

Fair Trade coffee represents a relatively small portion of the large multinational corporations coffee purchases. However, represented in the graph below, these purchases make up the bulk of all fair Trade coffee purchases in the world. Some consider the participation of large corporations a “corporate

countermovement”, where token participation allows them to influence and degrade the standards to their advantage.⁸⁹ The figure below shows the major fair trade roasters, when they entered the fair trade market, and the percentage of their roast that is certified as fair trade.

Figure 3

US-Based Coffee Roasters: Fair Trade Certified Purchases



Daniel Jaffee & Phil Howard, 2011

Data: GMCR Social Responsibility Report 2010; Starbucks Global Responsibility Report 2010; TCC Coffee Barometer 2009; Transfair USA/ Fair Trade USA Almanac 2010; personal communication 2011

*2008 data; J.M. Smucker acquired Folger's in 2008, Folger's Millstone Brand established a Fair Trade line in 2003



Daniel Jaffee and Philip H. Howard, "Corporate cooptation of organic and fair trade standards," (Springer) 2009: 388.

Recommendations

Coalition of Co-op Supporters

If FLO is to maintain its recognition as the pre-eminent fair trade certifier, it needs to build a broad coalition of coffee co-op supporters. This would require FLO to pressure the many organizations involved in the fair trade movement to take a side and openly denounce FTUSA's unilateral initiative. This diverse coalition should consist of producers, importers, roasters, and retailers as well as civil society organizations such as Oxfam, Solidaridad, and Catholic Relief Services.

Reconciliation

There must be simplicity and unification in order for consumers to continue trusting and supporting a label. The competing labels of FLO and FTUSA will cause confusion and attract a critical light on fair trade and bring into question the legitimacy of both certifying models. The burgeoning fair trade movement is currently experiencing serious growing pains that threaten its multilateral strength.

I believe it would be most beneficial for the fair trade movement if Fair Trade USA were to rejoin Fairtrade Labeling Organization and renegotiate mutual standards. A reunion between FTUSA's and FLO is not an impossibility, and many in the industry hope for this.⁹⁰ FTUSA risks exclusion from the international civil organizations that give legitimacy to certifying bodies. If a broad coalition were to endorse FLO and wage a campaign to publicize FTUSA's degenerative standards, FTUSA risks costly isolation.

⁹⁰ Anonymous, interview by Nicholas Conti, (March 11, 2012).

Greater Worker representation on the boards of Fair Trade USA, Fair Trade

Although the FTUSA's mission is to help improve the conditions of workers in the global South, there is no one on the board representing producers and only two of the eleven board members are from coffee farming communities.⁹¹ Fairtrade Labeling Organization on the other hand, is democratically organized and has a comparatively high level of producer representation and control.⁹² If FTUSA wishes to gain more legitimacy, then greater diversity and inclusion is needed.

Certification systems in green buildings LEED, the Living Building Challenge, and benefits of graded certification systems

The Living Building Challenge (LBC) is a green building certification program administered by the Cascadia Green Building Council (Cascadia). Cascadia is a regional member of the U.S. Green Building Council (USGBC), which created the successful green building system Leadership in Energy and Environmental Design (LEED).⁹³ The LEED rating system has become very popular and has been adopted as a set of standards by hundreds of cities.⁹⁴ The LBC on the other hand, is

⁹¹ Fair Trade USA, *Who We Are*, 2012, <http://fairtradeusa.org/about-fair-trade-usa/who-we-are>.

⁹²

⁹³ International Living Future Institute, *FAQ*, 2012, <https://ilbi.org/about/faq#how-does-the-living> (accessed December 5, 2012).

⁹⁴ U.S. Green Building Council, *Public Policies Adopting or Referencing LEED*, 2011, <http://www.usgbc.org/DisplayPage.aspx?CMSPageID=1852> (accessed April 26, 2012).

commonly believed to have the most stringent requirements of any sustainability rating system.

The LBC is an attempt to create a holistic certification system that goes beyond LEED and avoids its loopholes. LEED Certification does not insure a building's existence is appropriate, just that it meets a certain number of opportune requirements. Unlike the prevailing LEED certification system, the LBC does not use a point system. The challenge posits twenty imperatives that must be addressed during design, construction, and operation. These twenty imperatives fall under seven major categories: Site, Water, Energy, Health, Materials, Equity, and Beauty.⁹⁵ Many believe the imperatives are too extreme and prohibitive. The LBC has such an extensive list of requirements that only three buildings have earned the honor to be certified as a Living Building: the Hawaii Preparatory Academy Energy Lab, the Omega Center for Sustainable Living in New York, and the Tyson Living Learning Center in Missouri.⁹⁶

The contrast between the varying LEED certifications and the LBC echo the discord found in the fair trade world. The difference however is that Cascadia and The USGBC's efforts are coordinated. Cascadia has expanded yet remains a member of the USGBC and continues to certify buildings as LEED. Online, Cascadia states: "[Cascadia] views the Living Building Challenge as an additional outlet to promote the goals set by the USGBC and the Cascadia Green Building Council – it establishes a vision for a project's environmental and social responsibilities from a new vantage

⁹⁵ Cascadia, "Affordable, Sustainable Homes; Eco-Sense and the Future of Green Building,".

⁹⁶ International Living Future Institute, *FAQ*, 2012, <http://plone.ilbi.org/about/faq>.

point”.⁹⁷ The co-operation of the two certifying bodies with different viewpoints could serve as a model for FTUSA and FLO. If it is not too late for FTUSA to rejoin FLO, and the relationship between Cascadia and the USGBC may provide a model of reconciliation.

Conclusion

The fair trade movement is at a pivotal point of expansion and faces an uncertain future. Fair Trade USA’s unilateral decision to leave the International Fair Trade Labeling Organization endangers the strength and cogency of the entire fair trade movement. FTUSA’s decision to renounce FLO and create another label of altered standards that contradicts the founding principles of fair trade undermines the progress made to empower producer owned co-ops.

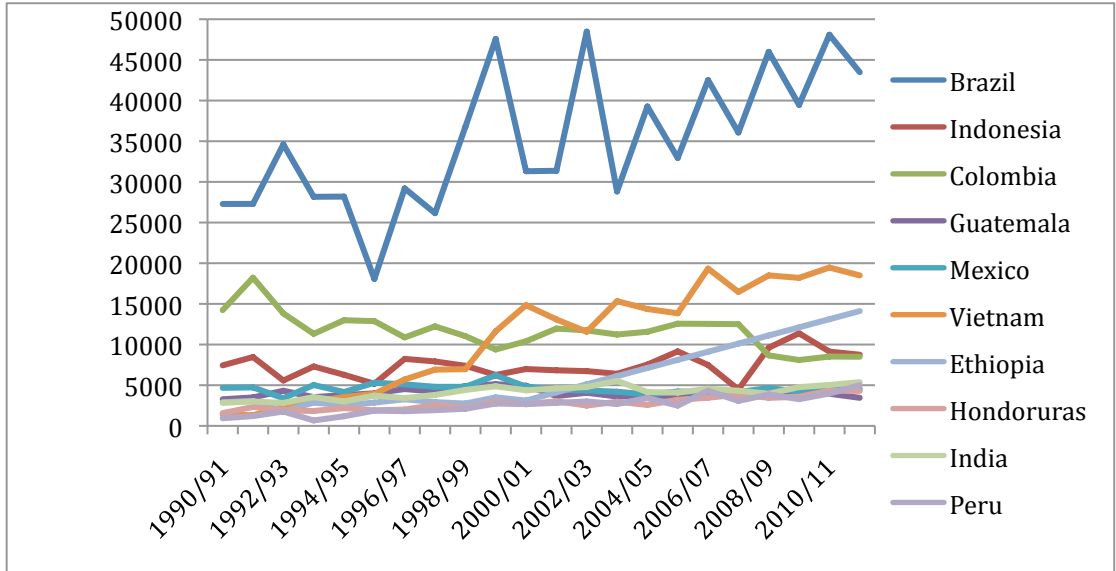
Expanding the scope of fair trade to improve the working conditions present at privately held coffee plantations jeopardizes the gains made to empower small-scale coffee producers organized in co-ops. The decision to break ties with FLO with little discussion and no backing from other organizations alienates FTUSA from the broader fair trade movement and brings into question their motives. FTUSA’s new certification scheme is sure to benefit the large multi-national corporations, putting co-ops at risk of losing customers and revenue.

⁹⁷ International Living Future Institute, *FAQ*, 2012, <https://ilbi.org/about/faq#how-does-the-living> (accessed December 5, 2012).

In order to protect the founding standards and intentions of the fair trade movement, a broad-based coalition of FLO supporters must be formed. If the many organizations committed to the empowering effects of worker owned co-ops coalesce behind FLO, FTUSA could be convinced to rejoin the democratic international body. The tension between the two certifying bodies highlights social movements' tragic susceptibility to dissolution and co-optation.

Figure 4

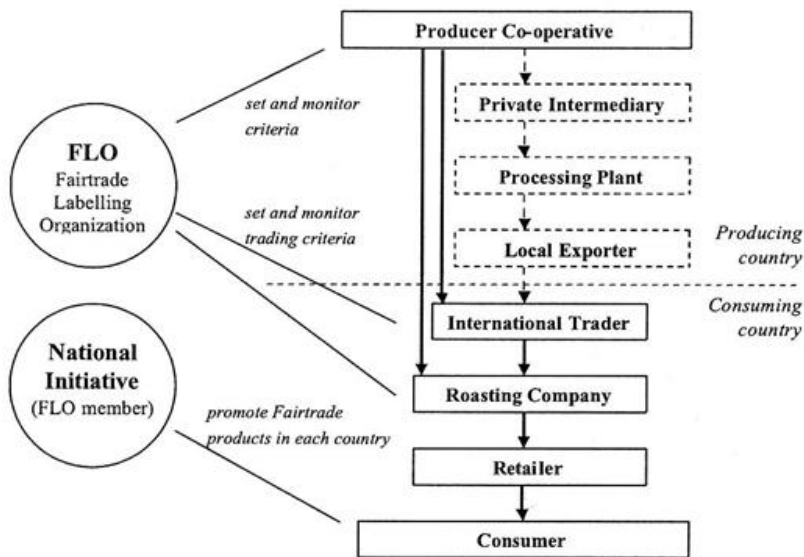
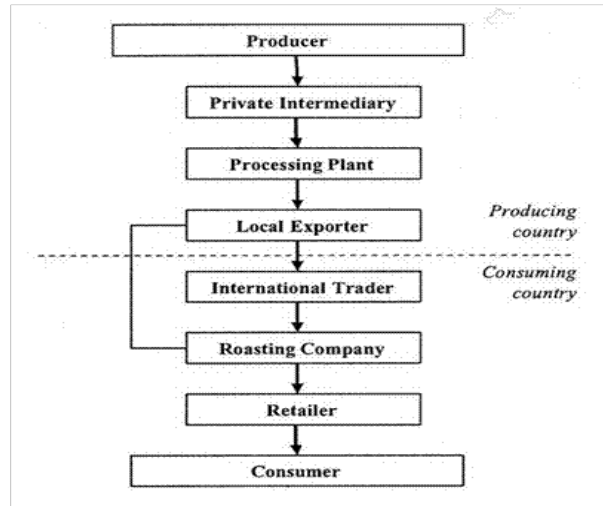
Production of Top Coffee Producers in Thousands of 60kg Bags



International Coffee Organization

Figure 5

COFFEE COMMODITY CHAIN



Milford A., (2004), *Coffee, Co-operatives and Competition: The Impact of Fair Trade*, Chr. Michelsen Institute, Bergen.

Resource page

Equal Exchange 2011 Annual Report:

[http://www.equalexchange.coop/media/Annual Reports/AR2010.pdf](http://www.equalexchange.coop/media/Annual%20Reports/AR2010.pdf)

Fair Trade International 2011 Report:

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